

Gerrit M. Pronske
State Bar No. 16351640
Rakhee V. Patel
State Bar No. 00797213
Melanie P. Goolsby
State Bar No. 24059841
PRONSKE & PATEL, P.C.
2200 Ross Avenue, Suite 5350
Dallas, Texas 75201
(214) 658-6500 - Telephone
(214) 658-6509 – Telecopier
Email: gpronske@pronskepatel.com
Email: rpatel@pronskepatel.com
Email: mgoolsby@pronskepatel.com

PROPOSED COUNSEL FOR THE DEBTOR

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re:	§
	§ CASE NO. 10-30986-HDH-11
MALUHIA EIGHT, LLC,	§
	§ CHAPTER 11
Debtor.	§

**DEBTOR’S OBJECTION TO MOTION OF COMPASS BANK
FOR RELIEF FROM AUTOMATIC STAY**

TO THE HONORABLE HARLIN D. HALE,
UNITED STATES BANKRUPTCY JUDGE:

Maluhia Eight, LLC (“Debtor”), debtor and debtor-in-possession in the above-referenced bankruptcy case, files this Objection (the “Objection”) to the Motion of Compass Bank for Relief from Automatic Stay (the “Motion”), and would respectfully show as follows:

LOCAL RULE 4001.1(b) STATEMENT OF ADEQUATE PROTECTION

The Debtor provides the following statement of adequate protection pursuant to Local Bankr. R. 4001.1(b). The Real Property¹ in which Compass Bank purports to hold a security interest is raw, undeveloped land located in the Maluhia at Wailea resort condominium project and is estimated to be worth \$6,000,000 pursuant to an appraisal performed on behalf of the

¹ Capitalized terms not defined herein shall have the same meaning ascribed to them in the Motion.

Debtor in 2008. Maluhia at Wailea is an exclusive, master-planned, and gated waterfront community located in Maui, Hawaii and is the only oceanfront property in the world class Wailea Resort dedicated to single-family homes. Eleven of the fourteen lots have been sold, and in May 2008, a comparable but developed lot in the Maluhia at Wailea development was sold for \$8,950,000. Because the Real Property is raw, undeveloped land located in a highly-successful, unique, and exclusive development, the Debtor believes that its value is stable and will not depreciate in a consequential amount from the Petition Date. The total amount of secured claims against the Real Property as estimated by the Debtor in its schedules is \$6,055,456, \$2,435,000 of which represents notes secured by a second lien against the Real Property held by individual note holders as part of a private placement of debt securities. As such, Compass Bank is fully secured in its purported first-lien status against the Real Property and cannot show cause for relief from the automatic stay, including lack of adequate protection. Furthermore, because of the Real Property's tremendous development potential, the Real Property is necessary for the Debtor's effective reorganization.

The Debtor further responds specifically to Compass Bank's Motion as follows:

RESPONSE

1. The Debtor admits the allegations contained in Paragraph 1 of the Motion.
2. The Debtor admits the allegations contained in Paragraph 2 of the Motion.
3. The Debtor admits the allegations contained in Paragraph 3 of the Motion.
4. The Debtor admits the allegations contained in Paragraph 4 of the Motion.
5. The Debtor admits that it gave Compass Bank a promissory note in the original principal amount of \$3,650,000.00, but denies the remainder of Paragraph 5 of the Motion. The

Debtor further responds that, to the extent the referenced exhibit is a true and correct copy of what it purports to be, the exhibit speaks for itself.

6. The Debtor admits that Compass Bank purports to hold a security interest in the Real Property, but denies the remainder of Paragraph 6 of the Motion. The Debtor further responds that, to the extent the referenced exhibit is a true and correct copy of what it purports to be, the exhibit speaks for itself.

7. The Debtor denies the allegations contained in Paragraph 7 of the Motion.

8. The Debtor admits that it estimates the Real Property's value to be approximately \$6,000,000 on the basis of an appraisal of the Real Property performed in 2008 and that it estimates the total amount of secured claims against the Real Property to be approximately \$6,055,456, but denies the remainder of Paragraph 8 of the Motion.

9. The Debtor admits that PRM Realty Group, LLC is a debtor in a separate bankruptcy case, but denies the remainder of Paragraph 9 of the Motion.

10. The Debtor denies the allegations contained in Paragraph 10 of the Motion and denies that Compass Bank is entitled to the relief requested therein.

11. The Debtor denies the allegations contained in Paragraph 11 of the Motion and that Compass Bank is entitled to the relief requested therein, and further responds that there is no cause for relief from the automatic stay because Compass Bank's claim is fully secured, to the extent allowed under applicable bankruptcy law, and the Real Property is not depreciating in value.

12. The Debtor denies the allegations contained in Paragraph 12 of the Motion and that Compass Bank is entitled to the relief requested therein, and further responds that the Real Property is necessary for the Debtor's effective reorganization.

13. The Debtor denies the allegations contained in Paragraph 13 of the Motion and that Compass Bank is entitled to the relief requested therein, and further responds that, since the Real Property is raw, undeveloped land located in a highly-successful, unique and exclusive detached condominium development, its value is not currently declining in value and can only be enhanced far above the amount of purported secured claims against the Real Property upon development of the property by the Debtor.

WHEREFORE, Debtor requests this Court deny Compass Bank's Motion in its entirety and grant Debtor such other and further relief to which it may show itself justly entitled.

Dated: March 19, 2010.

Respectfully submitted,

/s/ Melanie P. Goolsby

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Telephone: 214.658.6500

Facsimile: 214.658.6509

Email: gpronske@pronskepatel.com

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Email: mgoolsby@pronskepatel.com

**PROPOSED COUNSEL FOR
MALUHIA EIGHT, LLC**

CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that, on March 19, 2010, I caused to be served the foregoing pleading upon counsel listed below via email and also via electronic notice to all parties accepting ECF service.

Kenneth Stohner, Jr.
Jeremy S. Mack
Jackson Walker, LLP
901 Main Street, Suite 6000
Dallas, TX 75202
Email: kstohner@jw.com
jmack@jw.com

ATTORNEYS FOR COMPASS BANK

/s/ Melanie P. Goolsby
Melanie P. Goolsby